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**HIGHLAND QUEEN
SPORTSWEAR
LIMITED**



Annual Meeting of Shareholders

May 26, 1976



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HIGHLAND QUEEN SPORTSWEAR LIMITED

PRESIDENT'S REPORT

The decline in earnings per share from 32.2¢ earned in 1974 to 28.6¢ earned in 1975 was attributable to a decrease in sales of \$123,000. An increase in royalty income of \$20,800 and a decrease in interest expense of \$11,300 to an appreciable extent offset an increase in selling and administrative expenses.

However, the Company did improve its working capital position by \$112,300 in 1975 compared to \$98,000 in 1974 and consequently it is in a strong liquid financial position.

In September of 1975 the Company entered into a licensing agreement with W. R. Grace & Company of New York pursuant to which we will have the exclusive right to manufacture and sell in Canada, ladies' wearing apparel utilizing the designs and fabrics of Jones New York.

It is anticipated that this association with Jones New York will result in increased revenue and a considerable savings in design costs.

Thank you for the confidence that you have shown in the Company.

On Behalf of the Board of Directors

DAVID WEISER

April 26, 1976

HIGHLAND QUEEN SPORTSWEAR LIMITED

INFORMATION CIRCULAR

as at April 26, 1976

MANAGEMENT SOLICITATION

This Information Circular is furnished in connection with the solicitation by the Management of HIGHLAND QUEEN SPORTSWEAR LIMITED of proxies to be voted at the Annual Meeting of Shareholders of the Corporation, to be held at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be by mail and the cost will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are Directors of the Corporation. **A Shareholder desiring to appoint some other person to represent him at the Meeting may do so by inserting in the blank space provided in the said form the name of the person whom he wishes to appoint as his proxy and delivering or mailing the completed proxy to Guaranty Trust Company of Canada at 88 University Avenue, Toronto 1.**

A Shareholder executing the enclosed proxy has the power to revoke it at any time prior to its use by instrument in writing, executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a Corporation, under its corporate seal or by an officer or attorney thereof, duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the Meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

It is intended that the accompanying Instrument of Proxy, if signed, dated and returned to the Corporation prior to the Meeting, will be voted for the election of Directors and the appointment of Auditors in accordance with the instructions contained in the enclosed Instrument of Proxy, and will be voted with respect to amendments or variations identified in the Notice of Meeting or other matters that may properly come before the Meeting according to the best judgment of the person voting the proxy at the Meeting.

The Management knows of no matters to come before the Annual Meeting of Shareholders other than the matters referred to in the Notice of Meeting. If any matters which are not known should properly come before the Meeting, the accompanying Proxy Instrument will be voted in such matters, in accordance with the best judgment of the person voting it.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has an authorized capital consisting of 100 common shares without par value, 500,000 Class "A" shares without par value and 500,000 Class "B" shares without par value, of which 321,870 Class "A" shares and 8,130 Class "B" shares are issued and outstanding as fully paid and non-assessable. Each share carries the right to one vote. Each registered shareholder of record at the time of the taking of the vote at the Annual Meeting will be entitled to vote at the meeting. To the knowledge of the Management, the only person or corporation beneficially owning more than 10 per cent of the issued and outstanding shares of the Corporation, are the following:

David Weiser	101,250	30.681% of the issued and outstanding shares
Dune Investments Limited	86,250	26.136% of the issued and outstanding shares

The shareholders of Dune Investments Limited are the wife and four children of David Weiser.

ELECTION OF DIRECTORS

The Board of Directors consists of five directors to be elected annually. The persons named in the enclosed Instrument of Proxy intend to vote, subject to any restrictions that may be imposed by the Instrument of Proxy, for the election of the nominees whose names are set forth below. It is not contemplated that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee in their discretion. Each Director will hold office until the next Annual Meeting or until his successor is duly elected or appointed, if his office is earlier vacated in accordance with the By-laws of the Corporation.

The following table states the names of all persons proposed to be nominated for election as Directors, their position with the Corporation, their principal occupation or employment during the past five years, the date on which they became Directors of the Corporation, and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, by each of them as of April 26, 1976.

<u>Name of Proposed Nominee</u>	<u>Offices presently held in Corporation</u>	<u>Director since</u>	<u>No. of Shares beneficially owned</u>	<u>Principal occupation</u>
David Weiser	Executive President and Director	February 28, 1957	101,250*	President of the Corporation
Howard Weiser	Vice-President and Director	April 27, 1970	4,750	Vice-President and Executive in charge of Styling and Production of Highland Queen Sportswear Limited, Toronto, Ontario
Joseph Weiser	Secretary-Treasurer and Director	February 17, 1969	4,750	Secretary-Treasurer of the Corporation
Paul Henry, Q.C.	Director	February 1, 1968	Nil	Senior partner of Henry & Brown Barristers and Solicitors, Toronto, Ontario
Leon Arthurs	Director	May 21, 1971	Nil	Patent Attorney, Toronto, Ontario

*See heading "Voting Shares and Principal Holders Thereof".

Mr. Joseph Weiser is the nominee of Dune Investments Limited to the Board of Directors.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid or payable by the Corporation to the Directors and Senior Officers of the Corporation and subsidiaries in respect of the Corporation's fiscal year ended October 31, 1975 was \$176,313. During the last completed financial year, David Weiser was indebted to the Corporation for money previously loaned to him, without interest, to enable him to complete the purchase of a condominium dwelling. The largest aggregate amount of the indebtedness was \$31,000.

APPOINTMENT OF AUDITORS

The persons named in the enclosed Form of Proxy intend to vote for the reappointment of Wm. Eisenberg & Co., Toronto, the present Auditors, as Auditors of the Corporation to hold office until the next Annual Meeting of the Shareholders. The said Auditors were first appointed in 1957.

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the Laws of Ontario)

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at October 31, 1975

ASSETS

	1975	1974
CURRENT ASSETS		
Cash.....	\$ 13,611	\$ 20,860
Accounts receivable.....	732,143	539,422
Due from shareholders (note 2).....	26,294	30,817
Income and sales taxes recoverable.....	7,901	47,264
Miscellaneous receivables.....	1,186	10,616
Inventories (notes 1 and 3).....	407,952	482,779
Prepaid expenses and sundry assets.....	48,961	18,626
	<u>1,238,048</u>	<u>1,150,384</u>
FIXED ASSETS (notes 1 and 4).....	<u>65,480</u>	<u>69,197</u>
OTHER ASSETS		
Excess of cost of subsidiary over net book value of assets acquired (note 1)..	101,356	101,356
Investments – 10% Debenture, due December 31, 1976.....	—	12,500
– Sundry – at cost.....	2,960	2,960
	<u>104,316</u>	<u>116,816</u>
	<u>\$1,407,844</u>	<u>\$1,336,397</u>

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness (note 5).....	\$ 239,593	\$ 391,000
Accounts payable and accrued liabilities.....	399,741	245,929
Income and other taxes.....	1,111	28,133
	<u>640,445</u>	<u>665,062</u>
Deferred income taxes (note 1).....	<u>6,150</u>	<u>4,600</u>

SHAREHOLDERS' EQUITY

Capital stock (note 6).....	100	100
Retained earnings.....	761,149	666,635
	<u>761,249</u>	<u>666,735</u>
	<u>\$1,407,844</u>	<u>\$1,336,397</u>

Approved on behalf of the Board

“DAVID WEISER”, Director

“J. WEISER”, Director

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the Laws of Ontario)

AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings and Retained Earnings for the year ended October 31, 1975

	1975	1974
EARNINGS		
Revenue		
Sales.....	\$3,494,867	\$3,617,700
Royalty revenue.....	22,806	2,006
Interest income.....	2,118	1,390
	<u>✓ 3,519,791</u>	<u>✓ 3,621,096</u>
Cost of sales.....	2,583,924	2,694,980
Earnings before the undernoted expenses.....	<u>935,867</u>	<u>926,116</u>
Selling and administrative expenses.....	751,409	712,994
Depreciation.....	19,896	19,224
Interest.....	42,448	53,726
	<u>813,753</u>	<u>785,944</u>
Earnings before income taxes.....	122,114	140,172
Income taxes.....	27,600	33,900
Net earnings.....	<u>✓ \$ 94,514</u>	<u>✓ \$ 106,272</u>
Net earnings per share.....	<u>✓ 28.6¢</u>	<u>✓ 32.2¢</u>
Number of shares outstanding.....	<u>330,000</u>	<u>330,000</u>
RETAINED EARNINGS		
Balance at beginning of year		
As previously stated.....	\$ 646,668	\$ 540,396
Prior period adjustment (note 10).....	19,967	19,967
As restated.....	<u>666,635</u>	<u>560,363</u>
Net earnings.....	94,514	106,272
Balance at end of year.....	<u>\$ 761,149</u>	<u>\$ 666,635</u>

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the Laws of Ontario)

AND SUBSIDIARY COMPANIES**Consolidated Statement of Changes in Financial Position
for the year ended October 31, 1975**

	<u>1975</u>	<u>1974</u>
SOURCE OF WORKING CAPITAL		
Operations		
Net earnings.....	\$ 94,514	\$ 106,272
Add: Charges not requiring use of working capital		
Depreciation.....	19,896	19,224
Deferred income taxes.....	1,550	3,000
	<u>115,960</u>	<u>128,496</u>
Debenture receivable.....	12,500	—
	<u>128,460</u>	<u>128,496</u>
 USE OF WORKING CAPITAL		
Purchase of fixed assets (net of disposals of \$1,840).....	16,179	30,501
	<u>16,179</u>	<u>30,501</u>
INCREASE IN WORKING CAPITAL.....	112,281	97,995
WORKING CAPITAL AT BEGINNING OF YEAR.....	485,322	387,327
WORKING CAPITAL AT END OF YEAR.....	<u>\$ 597,603</u>	<u>\$ 485,322</u>

AUDITORS' REPORT

To the Shareholders of

HIGHLAND QUEEN SPORTSWEAR LIMITED.

We have examined the consolidated balance sheet of Highland Queen Sportswear Limited and its subsidiary companies as at October 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at October 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 5, 1976WM. EISENBERG & CO.
Chartered Accountants

AND SUBSIDIARY COMPANIES

October 31, 1975

	1975	1974
Raw materials.....	\$186,607	\$194,851
Work-in-process.....	41,178	38,854
Finished goods.....	180,167	249,074
	<u>\$407,952</u>	<u>\$482,779</u>

4. Fixed assets

At October 31 the major categories of fixed assets are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture.....	\$146,609	\$105,367	\$ 41,242
Leasehold improvements.....	63,879	39,641	24,238
Total, October 31, 1975.....	<u>\$210,488</u>	<u>\$145,008</u>	<u>\$ 65,480</u>
Total, October 31, 1974.....	<u>\$194,309</u>	<u>\$125,112</u>	<u>\$ 69,197</u>

5. Bank indebtedness

At October 31 the bank indebtedness consisted of the following:

	1975	1974
Overdraft.....	\$ 23,593	\$ —
General operating loans.....	216,000	391,000
	<u>\$239,593</u>	<u>\$391,000</u>

Book debts and inventories of the company and its subsidiaries have been pledged as security for the general operating loans.

6. Capital stock

(a) The authorized and issued capital stock of the company is summarized as follows:

	Number Authorized	Issued	
		Number	Amount
Class "A" voting, fully participating shares, without par value	500,000	321,870	\$ 98
Class "B" voting, fully participating shares, without par value	500,000	8,130	2
Common shares, without par value.....	100	—	—
		<u>330,000</u>	<u>\$100</u>

Class "A" shares may be converted into Class "B" shares and Class "B" shares may be converted into Class "A" shares at any time at the option of the respective holders thereof on a share for share basis.

(b) 100 Class "B" shares were converted into 100 Class "A" shares during the year.

(c) Holders of Class "A" shares are entitled to receive, when declared, dividends paid out of tax-paid undistributed income on hand at the end of 1971. Holders of Class "B" shares are entitled to receive 100/85 of the amount of dividends paid to holders of Class "A" shares out of tax-paid undistributed income on hand at the end of 1971 on a share for share basis.

7. Lease commitments

The approximate rental commitment, under existing leases, for the next year, at the end of which time the principal leases expire, is \$28,600.

8. Executive remuneration

The aggregate direct remuneration paid by the Company and its subsidiaries during the year to the five highest paid employees (which include the directors as officers or employees) totalled \$176,313 (1974 – \$158,354).

9. Contingent liabilities

The Company has guaranteed, unconditionally, the performance of all obligations under a licensing agreement entered into by a subsidiary which includes the payment of a minimum licensing fee of \$50,000 for each of the next three years.

10. Prior period adjustment

The company received income tax refunds as a result of claiming the small business deduction for 1972 and 1973. Accordingly, income and sales taxes recoverable at October 31, 1974 and retained earnings at the beginning and end of 1974 have been restated to reflect the refund received in 1975.

11. Comparative figures

In addition to the restatements described in note 10, certain 1974 amounts have been reclassified to conform with the presentation adopted for 1975.

